

**DIRECT TESTIMONY OF
M. SHAUN RANDALL
ON BEHALF OF
SOUTH CAROLINA ELECTRIC & GAS COMPANY
DOCKET NO. 2012-5-G**

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.

A. My name is M. Shaun Randall, and my current business address is 220 Operation Way, Cayce, South Carolina. I am employed by South Carolina Electric & Gas Company (“SCE&G” or “Company”) as General Manager of Gas Operations.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND BUSINESS BACKGROUND.

A. Following my graduation from Clemson University in 1995 with a degree in Civil Engineering, I was employed with PSNC Energy in Gastonia, North Carolina, where I held various positions including Engineer, Operations Supervisor, and Regional Manager. In 2001, I joined SCE&G. Since that time, I have served as the Division Manager in both Aiken and Columbia and, effective April 7, 2012, I was promoted to General Manager of Gas Operations. I am a licensed Professional Engineer in both North and South Carolina.

1 **Q. WHAT ARE YOUR DUTIES AS GENERAL MANAGER OF GAS**
2 **OPERATIONS?**

3 A. As General Manager of Gas Operations for SCE&G, my corporate
4 responsibilities include, among other things, oversight of the daily operations of
5 SCE&G's natural gas distribution system, including maintenance, construction, and
6 gas sales. Additionally, I am responsible for the overall reliability of the system,
7 which includes ensuring that the system is capable of providing safe and reliable
8 service to our customers.

9 **Q. WHAT IS THE PURPOSE OF THIS PURCHASED GAS ADJUSTMENT**
10 **(“PGA”) PROCEEDING?**

11 A. By Order No. 87-898, dated August 14, 1987, the Public Service
12 Commission of South Carolina (“Commission”) instituted an annual PGA review
13 of SCE&G's gas purchasing policies and practices. These PGA reviews are
14 conducted to determine the prudence of SCE&G's gas purchasing policies and
15 practices during the period under review and to determine if SCE&G properly
16 applied its tariffs in recovering its gas costs.

17 It is worth noting that in every PGA review, the Commission has found that
18 SCE&G's gas purchasing policies and practices were prudent and that the
19 Company properly adhered to the gas cost recovery provisions of its gas tariffs
20 and applicable Commission directives and orders.

21 In this PGA proceeding, the Commission will hear from personnel who
22 implement SCE&G's gas purchasing practices and policies and who address tariff

1 issues on a day-to-day basis. Their testimony specifically relates to the period
2 under review, August 1, 2011, through July 31, 2012 ("Review Period"). J. Darrin
3 Kahl, Manager of Supply & Asset Management, explains SCE&G's gas
4 purchasing practices, gas supply, and interstate pipeline capacity. Mr. Kahl also
5 discusses the Company's efforts in winding down its financial hedging program.
6 Harry L. Scruggs, Lead Analyst for Rates and Regulatory Accounting, discusses
7 the PGA methodology for recovering the cost of gas implemented by the
8 Company pursuant to Commission Order Nos. 2006-679 and 2009-910.

9 **Q. PLEASE DESCRIBE THE PURPOSE OF YOUR TESTIMONY.**

10 A. The purpose of my testimony is to describe SCE&G's natural gas
11 distribution system from an operating standpoint and discuss the primary facilities
12 that comprise the system, including the capacity of the system for serving
13 SCE&G's customers. I will also discuss the construction projects in which
14 SCE&G is engaged that are designed to increase the capacity, reliability, and
15 operational flexibility of SCE&G's system.

16 **Q. PLEASE DESCRIBE SCE&G'S NATURAL GAS DISTRIBUTION**
17 **SYSTEM FROM AN OPERATIONS STANDPOINT.**

18 A. SCE&G's natural gas distribution system consists of more than 9,085 miles
19 of pipeline which includes 8,598 miles of distribution mains and 487 miles of
20 transmission mains, plus an additional 354,081 service lines. The Company's
21 facilities range in diameter from ½-inch polyethylene distribution pipe to 20-inch

1 steel transmission pipe and carry natural gas under pressures typically ranging
2 from 25 pounds per square inch gauge (“psig”) to 1,100 psig in order to deliver
3 safe and reliable natural gas service to more than 318,000 factories, businesses,
4 and homes in South Carolina. SCE&G currently provides natural gas service in all
5 or part of 35 of the 46 counties in South Carolina covering approximately 23,000
6 square miles.

7 **Q. PLEASE PROVIDE A BRIEF OVERVIEW OF SCE&G’S GAS**
8 **PURCHASING PRACTICES FOR THE REVIEW PERIOD.**

9 A. SCE&G’s management analyzes and considers the supply and interstate
10 capacity assets of its business on an on-going basis in order to provide safe,
11 reliable, and economical natural gas service in South Carolina. All of the
12 variables related to the growth in our state and the demand of SCE&G’s system
13 must be balanced with corresponding supply and capacity needs. Finally, I want
14 to emphasize to the Commission that the Company procured reliable and
15 reasonably priced natural gas supplies during the Review Period.

16 **Q. WHAT LIQUEFIED NATURAL GAS (“LNG”) FACILITIES DOES**
17 **SCE&G OPERATE?**

18 A. SCE&G owns and operates two LNG facilities. These facilities are located
19 at Bushy Park near North Charleston and at Salley in western Orangeburg County.
20 The LNG facilities allow SCE&G to store natural gas in liquid form during
21 periods of low demand and revaporize it back into the pipeline during periods of

1 peak demand. These assets are used primarily to help meet peak loads on the
2 system and serve as a backup supply of gas in emergency situations.

3 **Q. WHAT ARE THE CAPACITIES OF THE LNG FACILITIES?**

4 A. The Bushy Park facility has the capability of converting natural gas into a
5 liquid, a process known as liquefaction. It can store up to 980 million cubic feet of
6 LNG. The Salley facility has the capability of storing up to 900 million cubic feet
7 of trucked-in LNG. LNG must be transported to Salley via truck because Salley
8 does not possess the ability to liquefy natural gas.

9 **Q. PLEASE EXPLAIN HOW SCE&G OPERATES ITS LNG SYSTEM.**

10 A. SCE&G primarily dispatches its LNG facilities to help meet peak loads on
11 its system during periods of high demand and to serve as a backup supply of gas in
12 emergency situations. At times, however, SCE&G must also dispatch the LNG
13 facilities to manage the Btu (British Thermal Unit) content of gas in storage to
14 levels which will meet tariff limits when vaporized. This is due to higher Btu
15 content gases that have been received from Southern LNG's Elba Island import
16 terminal near Savannah, Georgia, as well as the natural weathering which occurs
17 inside an LNG storage tank. Weathering causes the Btu content of the gas to rise
18 over time.

1 **Q. HAS SCE&G MADE ANY IMPROVEMENTS TO ITS LNG FACILITIES**
2 **DURING THE REVIEW PERIOD?**

3 A. Yes. In April of this year, SCE&G began construction of a project to
4 replace the vaporization system at the Bushy Park plant. The vaporization system
5 consists primarily of the water heaters and the heat exchangers (vaporizers) which
6 turn the LNG from the tanks to a gaseous state for injection into the pipeline. This
7 project is necessary because these critical components were original to the plant
8 when it was constructed in 1975 and have reached the point at which they must be
9 replaced in order to maintain the continued reliable and safe operation of the
10 facility. Specifically, the project will replace the existing water heaters, heat
11 exchangers and associated piping. The project will also maintain redundancy by
12 providing a back-up for this critical process equipment. The project is scheduled
13 to be completed prior to the 2012 winter heating season.

14 **Q. HOW DID SCE&G REPLENISH ITS TANKS AT SALLEY WHILE THE**
15 **BUSHY PARK PLANT WAS OFF-LINE?**

16 A. As I testified earlier, LNG must be transported from Bushy Park to Salley
17 via truck because Salley does not possess the ability to liquefy natural gas. While
18 the Bushy Park facility was off-line, SCE&G replenished its tanks at Salley by
19 purchasing sufficient quantities of LNG for the upcoming winter heating season
20 from a third-party who then transported the LNG to Salley via truck.

1 **Q. PLEASE DISCUSS THE GROWTH ON THE COMPANY'S SYSTEM**
2 **DURING THE REVIEW PERIOD.**

3 A. The sluggish economy and high unemployment rates continue to have a
4 negative impact on residential and commercial construction; notwithstanding those
5 economic challenges, SCE&G continues to experience growth on its gas system.
6 During the Review Period, the total number of customers grew by approximately
7 1.7 %.

8 **Q. WHAT STEPS HAS SCE&G TAKEN TO IMPROVE AND EXPAND ITS**
9 **NATURAL GAS DISTRIBUTION SYSTEM DURING THE REVIEW**
10 **PERIOD?**

11 A. Over the years, SCE&G has consistently improved and expanded its system
12 by adding pipeline to reliably serve its new and existing customers and create
13 operating flexibility on its system. Expansion of the system is designed to
14 accommodate population growth throughout South Carolina. For example, during
15 the Review Period, SCE&G continued with its expansion of the Company's gas
16 system in the Charleston area by completing a 4-inch transmission pipeline along
17 Cypress Gardens Road which will serve the Carnes Crossroads area and installing
18 7,000 feet of 6-inch plastic pipeline to serve additional areas of Mt. Pleasant. Both
19 of these projects will make natural gas available to homes and businesses in these
20 high growth areas of Berkeley County. In Georgetown County, we installed
21 approximately 1.5 miles of 8-inch steel pipeline from Garden City to Murrells

1 Inlet to provide additional gas service to a mix of residential and commercial
2 customers.

3 In addition to the system expansion, a number of projects have been
4 completed to improve system integrity and reliability and to address South
5 Carolina Department of Transportation highway widening projects. For example,
6 in the Florence Area, SCE&G completed a section of pipeline replacement along
7 Highway 378. This phase involved the replacement of approximately six miles of
8 existing 6-inch steel pipeline that was in conflict with highway construction with a
9 new 8-inch steel transmission pipeline which will have the capacity to
10 accommodate future growth in the Conway/Myrtle Beach area. In the
11 Johnsonville area, approximately 4,200 feet of new 8-inch transmission pipeline
12 was directionally bored under the Lynches River to replace an exposed section of
13 the existing pipeline. This project ensures the continued safe and reliable delivery
14 of natural gas to Johnsonville and Lake City. In Beaufort County, 2,600 feet of 8-
15 inch transmission line was replaced under Middle Creek due to exposure in the
16 creek bed. Finally, in the Columbia area, a project is currently underway to
17 replace approximately 9,000 feet of 6-inch steel transmission pipeline with 12-
18 inch steel transmission pipeline. This project will provide a much needed alternate
19 feed into the Columbia System while allowing for the current primary feed, which
20 is in a densely populated area, to be operated at a lower pressure. Additionally,
21 this project will provide the Columbia System with increased capacity thereby
22 improving reliability in the area.

1 All of these improvements provide the required additional natural gas
2 infrastructure to ensure the safe and reliable delivery of natural gas to our
3 customers.

4 **Q. PLEASE BRIEFLY DESCRIBE THE SAFETY PERFORMANCE OF**
5 **SCE&G CONCERNING ITS NATURAL GAS SYSTEM.**

6 A. As a regulated natural gas utility, SCE&G is subject to comprehensive
7 federal and state regulation. At the federal level, the United States Department of
8 Transportation and the Pipeline and Hazardous Materials Safety Administration,
9 acting through the Office of Pipeline Safety, have developed pipeline safety
10 regulations over the years. These pipeline safety regulations include, among other
11 things, provisions governing pipeline design, construction, testing, operations,
12 maintenance, and emergency response activities. There are also specific
13 requirements for training and qualifying personnel to work on natural gas systems,
14 as well as additional requirements for administering integrity management
15 programs for both gas transmission and distribution pipelines. The South Carolina
16 Office of Regulatory Staff monitors the Company's compliance with pipeline
17 safety regulations.

18 SCE&G has an outstanding safety record due in large part to the
19 Company's safety-focused culture. SCE&G's highest priority is to safeguard and
20 protect those individuals who come into contact with the SCE&G system,
21 including employees, customers, and the public at-large. Moreover, the Company

1 employees who work on SCE&G's pipeline system and at the LNG facilities take
2 great pride in safety performance.

3 **Q. WHAT ARE YOU REQUESTING OF THE COMMISSION IN THIS**
4 **PROCEEDING?**

5 A. The primary commitments of SCE&G continue to be to operate our system
6 in a safe, reliable, and efficient manner. Further, our employees are committed to
7 providing outstanding customer service and operational excellence. During the
8 Review Period, the Company prudently managed its business operations, which
9 included the purchase and recovery of its gas supplies and administration of the
10 PGA. Therefore, on behalf of SCE&G, I respectfully request the Commission find
11 that the Company has recovered its gas costs for the Review Period consistent
12 with its tariffs and Commission orders and that it has purchased its gas supplies
13 and administered the PGA in a prudent and reasonable manner.

14 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

15 A. Yes.